

County Administration

County Administrator

James O. McReynolds



Administrative/Legislative Services
Economic Development
Real Estate Assessment
Public Information
Planning

April 5, 2006

The Honorable Chairman and Members
York County Board of Supervisors
224 Ballard Street
Yorktown, Virginia 23690-0532

Dear Members of the Board:

Subject: County Administrator's Budget Message - FY2007

The County's Fiscal Year 2007 Adopted Budget represents the culmination of nearly six months of staff effort. The budget call was issued on October 7, 2005, and requests were due on November 10, 2005. Since that time, staff and I have worked with the requesting departments and agencies to develop a budget that emphasizes the priorities of the Board of Supervisors and, as directed by the Board, provides the maximum tax rate reduction possible. Accordingly, significant portions of the increase in revenues are allocated to Education, Public Safety, and Drainage Improvements. Educated and engaged citizens, safe neighborhoods, and excellent public facilities are essential ingredients in maintaining and enhancing the high quality of life County citizens have come to expect.

Highlights are:

- Tax rate reduction of 12¢ to \$0.6975 per \$100 of assessed value.
- An increase of 8.4% in local funding for the School Operating Budget.
- Funding for 11.50 new personnel in the General Fund to meet the growing demand for County services.
- A compensation package based on the Human Resources Division's annual benchmarking study that helps to maintain the County's plans for competitive positions in the regional market by including a market adjustment of 2%.
- Funding in the Enterprise Funds to continue significant sewer expansion projects in areas such as Queens Lake and York Point. These projects are funded from user fees and have no effect on General Fund expenditures or the tax rate.
- A Capital Improvements Program, which continues ongoing projects such as the replacement of equipment, funds maintenance and renovation projects of County facilities and park areas, and provides for renovations of Yorktown Middle School.

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A Hampton Roads Community

The Budget Process in York County

In York County, the budget serves three purposes. First, as a policy document, the Budget represents the implementation of the Board's policy setting in the form of specific funding decisions. Second, the Board has the sole authority to set tax rates and authorize spending. This authority is exercised through approval of the annual operating budget. Finally, the budget is a financial planning tool through which the County ensures that the available sources of funds will be sufficient to meet the anticipated and unanticipated cost of providing services to County citizens over the coming year.

York County adopts an annual operating budget for the fiscal period beginning July 1 and ending June 30. Fixed budgets are presented for the General Fund, Special Revenue Funds, and Debt Service Funds. For control purposes, fixed budgets are also presented for the Enterprise Funds, which include the Utility Funds, and for the Vehicle Maintenance Internal Service Fund. Flexible budgets are presented for the Tourism Fund and will be used for the Riverwalk/Yorktown Operations Fund. A flexible budget is useful for funds for which it is difficult to estimate the demand for services and, therefore, the level of spending needed to meet demand.

The Capital Improvements Program is a six-year plan of which the first year represents the Capital Improvements Budget. Project-length budgets are appropriated for the projects included in the first year of the six-year plan.

In compliance with the Code of Virginia, York County's policy for the General Fund is to propose and adopt a balanced budget, whereby revenues equal expenditures. The County's revenue stream consists of local, state, federal and other financing sources. The majority of the County's revenue is derived from general property taxes. The County's expenditure budget is divided into functional areas.

TOTAL COUNTY BUDGET - \$231,695,223

The total FY2007 budget for all funds is \$231.7 million, which is \$14.7 million or 6.8% higher than the current year. Approximately \$26.8 million of this \$231.7 million is the result of major capital projects. The largest single component of the total County budget is the School Division. The budget recommended for the School Division is \$126.9 million or 54.8% of the total budget. The total budget, exclusive of the \$46.7 million transfers to support school division operations and debt service, amounts to \$184.9 million, which is \$11.3 million or 6.5% higher than the current fiscal year. After Education, the second largest function is Public Safety, which comprises \$24.2 million or 10.4% of all expenditures. The budget also includes expenses of \$17.3 million for the County's various public utilities accounted for as Enterprise Funds, which comprise 7.5% of the total County budget.

These three programs, education, public safety and public utilities, totaling \$168.4 million comprise 72.7% of the total County budget.

GENERAL FUND BUDGET - \$111,119,454

General Fund Revenues

Of the over \$111.1 million in revenue estimated for fiscal year 2007, \$98.0 million or 88.2% is from local and other sources. The remaining \$13.1 million or 11.8% is from various state and federal government supported programs. New commercial construction and the opening of several new businesses in the County are driving anticipated increases to several local tax sources. We expect to see positive impacts on the real estate and personal property taxes, local sales taxes, lodging and meals taxes, and business license taxes.

General Fund revenues are derived from a variety of sources. The primary sources of revenue are General Property Taxes (60.2%) and Other Local Taxes (23.4%), which combined are \$92.9 million, or 83.6% of the \$111.1 million budgeted. Additional local revenue categories include Permits, Fees and Regulatory Licenses; Fines and Forfeitures; Use of Money and Property; Charges for Services; Fiscal Agent Fees and Administration; Miscellaneous; and Local Recovered Costs. These sources account for 3.3% of General Fund revenues, or \$3.6 million. State and federal revenues include Non-Categorical Aid, Shared Expenses, Categorical Aid, Grants, and Payments in Lieu of Taxes, which amount to 11.8% of General Fund revenues, or \$13.1 million. Other sources include payments from the School Division for grounds maintenance, law enforcement and video services and amount to 1.3% or \$1.5 million.

General Fund Expenditures

The County's population has grown about 7.5% since 2000. As anticipated from enrollment projections made in each of the past several years, it appears there will be a small increase in the student population from FY2006 to FY2007. The estimate for FY2006 is 12,700 and 12,970 for school year 2007. Residential growth continues at a slower pace than in the early part of the decade, but the increase in population and demand for service is still sufficient to drive increases in the County budget.

The FY2007 budget includes no new initiatives but focuses on maintaining County services at their current levels. Major expenditure increases are as follows:

School Operations and Debt Service Contribution	\$ 3.30 million
Employee Compensation	\$ 2.80 million
New Personnel	\$ 0.50 million
Capital Improvements and Debt Service	\$ 0.20 million
Drainage and Sewer/Water	\$ 0.90 million
Tourism and Contributions	\$ 0.90 million

The total General Fund expenditure budget is \$111.1 million, which is \$8.6 million or 8.4% more than the current year budget. This represents a reduction of over \$5.9 million from the amounts requested by the departments to keep the operating budget to the minimum required to continue providing services at the current levels and provide the maximum tax rate reduction possible.

Areas of special input are:

Education

The adopted budget reflects an increase of \$3.1 million (8.4%) in the local contribution to the School Operating Fund. It also includes a \$250,000 increase in the School Debt Fund to cover the cost of borrowings to fund school renovation and construction. In addition, I recommend that the Board continue the practice of making supplemental appropriations for technology improvements of any funds remaining at the end of FY2006 in the School Operating Fund. In addition, if the School Division should receive more Impact Aid than is budgeted for fiscal year 2006, the two Boards may again wish to discuss alternative uses for some of these funds.

Personnel

The FY2007 adopted budget raises the number of FTEs by 16.5. This is an increase of 11.50 FTEs in the General Fund and 5.0 FTEs in other funds. These positions are to meet the growing demand for County services in Judicial Services, Public Safety, Building Regulation, Computer Support Services, the Library, Community Services, Vehicle Maintenance and the Sewer Utility Fund.

The compensation figures in this budget include the cost of providing step increases for County employees during FY2007 as well as the cost of adjusting the County's pay plan to the market. Based on Human Resources annual benchmark analysis, a 2% market adjustment has been incorporated, effective for July 1, 2006.

Capital Improvements and Debt

The funding included in this budget supports all of those projects planned for FY2007 in the Adopted FY2007 through FY2012 Capital Improvements Program. That program calls for spending in the General Fund for capital improvements of \$5.7 million and includes support for new or the replacement of equipment, maintenance and renovation projects, transportation enhancements, drainage improvements and major construction projects such as the Athletic Field Complex.

PUBLIC UTILITIES FUNDS EXPENSE BUDGETS - \$17,304,979

The various funds included in this total are the Solid Waste Fund (\$4.2 million), the Water Utility Fund (\$5.5 million), the Sewer Utility Fund (\$5.8 million), and the Water and Sewer Extension Fund (\$6.8 million).

Revenue in these funds is primarily generated through user fees and connection charges. The Solid Waste Fund also receives \$1 million in General Fund support.

The Water and Sewer Extension Fund accounts for the water and sewer capital projects. As mentioned previously, major projects planned for fiscal year 2007 are significant sewer expansion projects in Queens Lake and York Point.

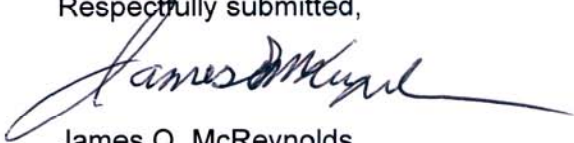
COMMENTS

York County has a tradition of fiscal conservatism that has served it well. As is indicated by its excellent bond rating and highly sought after credit, the County is in an excellent financial position and has the resources necessary for sound fiscal management. I believe that the adopted budget outlined above represents a conservative estimate of the amounts necessary to continue the current level of service delivery and maintain the County's physical plant at an acceptable level.

The requirements of the Code of Virginia regarding the development, preparation, presentation and adoption of the budget by the Board of Supervisors have been met.

Staff has worked diligently to keep costs to a minimum while still meeting the expectations of our citizens. I would like to thank all County Agencies and Departments for their efforts. A special thanks goes to Carol White, Director of Financial and Management Services, and Sharon Day, Chief of the Division of Budget and Financial Reporting, along with division staff members Jody Bauer, Carolyn Cuthrell, and Lisa Swartz for a superb effort in putting this document together.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James O. McReynolds", with a long, sweeping horizontal line extending to the right.

James O. McReynolds
County Administrator

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